THE TRAINING OF CLAIM REPRESENTATIVES IN
SELECTED PROPERTY/LIABILITY INSURANCE COMPANIES

An Honors Thesis (ID 499)

by

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THE PROBLEM

Introduction

Claim representatives are an important link between the insurance company and the insured. It is through the claim representative that the insured makes his first significant contact with the policy and the coverage it provides.

The claim representative comes into action at a time when the purchaser of insurance suddenly has insurance uppermost in his mind, and not as a tangible but possibly never-to-be used contract tucked away in a desk drawer or bank vault.¹

When the insured files a claim, he is concentrating on coverages and wants the claim paid. It is the responsibility of the claim representative to know and to be able to explain what part or parts of the claim are covered. He must be able to explain the policy to the insured.

"The claim representative is the personification of the insurance policy. Through the claim representative, the policy comes to life."² If the claim representative leaves a good impression with the insured, he also leaves the insured with a good impression of the company because "he is the company as far as the insured public is concerned."³

As the company's agent, the claim representative must make sure that everything he says or does is correct.


²Ibid., p. G-16.

Nothing should be done to waive or disregard any policy provisions. At the same time, possible policy limitations or restrictions should not be presented in such a harsh and alarming manner as to create hostility or possibly cause such doubts to arise in the mind of the insured as to prejudice or handicap all future discussion.¹

The successful [claim representative] has to be a person of many and diverse skills because the demands made against him are many, and growing in complexity.

First of all, the [claim representative] has to be a person with the tact of a diplomat. He also has to be a good communicator, an accurate reporter and an appraiser of values, whether it be property adjusting or casualty adjusting.²

The claim representative also must know and understand the policy and the federal, state, and local laws affecting the policy. Liability law also is important when deciding if the insured is responsible for a loss. In liability claims, the claim is not paid if the insured is not legally liable.

A claim representative must be in constant contact with the parties involved. Whether he talks to the insured, the claimant, an attorney, witnesses, or experts, he must obtain the information needed for the investigation without harming his position as the claim adjuster. Throughout the investigation, the claim representative evaluates the claim. He looks at the insured's policy, checks dates, checks laws, compares the statements of parties involved, and looks at the facts and the legal evidence. He appraises the value of the loss, decides on the amounts of liability, and tries to negotiate a fair settlement. If the claim is settled for more than it is worth, other policyholders are

¹Swift, p. G-1.
²op. cit., The National Underwriter.
being treated unfairly. If the claim is settled for less than its fair value, the insured is not receiving that for which he paid his premium.

In many cases, it is not possible for the claim representative to settle the claim. In these situations, the claim must be settled by a court. It is the investigation and gathering of facts by the claim representative that forms the background for trials. If he has not done his job properly, the company suffers the loss.

To summarize, it is important for the claim representative to do his job well to create a good image for the insurance company and to see that only covered claims are paid. Also, it is important that claims are neither over nor under paid.

For a person to understand and properly perform the duties of a claim representative, he must be properly trained. This training is vital to a successful claim operation. Only through training and experience can a person learn or develop the skills and knowledge needed to properly settle a claim.

Statement of the Problem

The purpose of this study is to describe and compare the methods by which selected companies, members of the American insurance industry, train property/liability claim representatives and to discuss the advantages and disadvantages of each.

Significance of the Study

The insured public is expressing growing dissatisfaction with insurance companies by filing complaints with state and federal regulatory agencies.

The Conference Board, New York City, in Report #761, Customer Relations in Financial Institutions, did an
extensive report on this subject. It found that the primary factors contributing to an increase in the amount of complaints are: increases in public awareness of consumer issues and willingness to register complaints; inadequacy of customer service training for contact personnel; inflation and rapidly increasing insurance premium costs; and faulty policies or procedures which invite customer complaints.¹

Simply by providing good training to the claim representatives in the United States, insurance companies could improve customer service, make sure proper procedures are followed, and keep costs down through a more efficient claim operation. This study describes some of the different methods used in the insurance industry to train claim representatives.

Scope of the Study

Job training is important in every field. Each field requires different methods to meet its individual requirements. This study examines how five different insurance companies provide their job training for claim representatives. These companies are American States, the Kemper Group, Meridian Mutual, State Farm, and Farm Bureau Insurance of Indiana. These companies are a mix of stock and mutual companies, a mix of regional and national companies, some with inside and some with outside training programs.

Basic Assumptions

This study makes the following basic assumptions:

1. Claim adjusting is an important function in the insurance industry.
2. The training of claim representatives is important and necessary.

3. The training methods of the five companies chosen for this study are representative of training methods used throughout the property/liability insurance industry.

**Definitions of Terms Used**

Many of the terms used in this study are peculiar to the insurance industry or to the field of education. Therefore, a list of terms and definitions is noted below. Unless specifically defined here or elsewhere in this study, the terms used have their common or dictionary meanings.

**Accident:** A sudden unexpected, unintentional event or occurrence.

**Arbitration:** A way of settling a dispute. In the case of insurance, each party hires its own representative and those representatives choose a third called an umpire. The committee of three then makes a decision that is binding on both parties.

**Claim:** Notification to an insurance company that a loss has been suffered that is covered under the terms of a policy.

**Claim Representative:** A salaried employee who investigates and negotiates settlement of claims that have been made.

**Decentralized Training:** Training that is done in different locations. Instead of the trainee going to the program, the instruction goes to the trainee.

**Inside Training Program or In-House Training Program:** Training programs developed and taught by company staff.

**Insurance:** A device by which a large, uncertain loss is replaced by a certain premium.

**Insurance Industry:** Those companies which make up the American market for property/liability insurance.
Liability: A legal obligation or responsibility resulting from injury to others or damage to property of others.

Loss: A financial decrease caused by an accident which may be the subject of a claim for compensation under a policy.

Mandatory Training: Training required by the company in order for an employee to maintain his job or to be promoted.

Outside Training Programs: Training programs developed and presented by outside vendors.

Outside Vendors: Companies or individuals, not employees of the insurance company, who sell training programs.

Risk: The uncertainty that an event will or will not happen.

Subrogation: A process by which one person has the authority to sue in the place of another.

Training: The process by which individuals are taught to perform their job effectively.

Voluntary Training: Training that is optional. The company may recommend it but does not require it.

Design of the Study

Following is a brief outline of this study. It shows the methods used to describe how insurance companies train their claim representatives.

The first section is an introduction, the formal statement of the problem, the significance, and the scope of the study. This is followed by basic assumptions, definitions of terms, the basic outline used in the study, and a review of related literature.

Each of the following five sections is devoted to an individual insurance company. Each section first gives basic information about the company discussed, followed by an overall view of the training, ending
with a detailed discussion of each stage of that training. The sections cover training methods used, the timing of that training, where the training takes place, whether it is mandatory or voluntary, how the grading is done, and whether the program is produced in-house or is purchased from a vendor.

The last section contains the summary of the thesis and personal comments on the training methods used by the different companies.

Related Literature

There are few books or articles devoted to the subject of insurance training and only a few articles written specifically about the training of claim representatives. Following is a discussion of those articles or books devoted to training in the insurance industry.

Insurance Teaching is a collection of articles previously printed in the "Education Exchange." It contains many articles that do not deal specifically with claim training but which can be applied to the development and operation of a good claim training program. Articles cover information on specific areas such as the training of agents or underwriters to general information on teaching methods.

Another collection of articles is Insurance Training and Education. In one of these articles, Dr. Edwin S. Overman, CPCU, emphasized the importance of continuing education and training but reports that this is not necessarily taking place in the insurance industry.

Traditionally in this business, for at least the thirty years that I've been an observer of the scene, the method for developing people has been the same as practiced by almost all insurance companies and agency and brokerage firms alike. For the most part, the method followed has been to recruit young men and women from colleges and universities with little, if any, prior study in insurance while completing their college work.
It is the rare exception to recruit a college student who has had any insurance background. . . When the young recruit joins the company, agency or brokerage firm, he is generally placed in an intensive training program which lasts from a minimum of two or three weeks to a maximum of ninety days. . . From this point on throughout the entire life career of the new recruit, the vast majority of these employees will never again read an insurance textbook, engage in formalized study of any kind, nor will they learn to improve their writing and communication skills except through on-the-job experience.

Tom Barger also emphasized the importance of training programs in general and in claim training specifically. Following is his list of the principal benefits of a good claim training program:

1. It increases the ability to impart changes in organizational practices and procedures, and company viewpoints.

2. It provides the capability to re-train personnel from other departments for Claim Department functions.

3. It provides training for Affirmative Action employees.

4. It permits hiring inexperienced personnel at lower salaries with longer position utilization potential.

5. The trainees should produce a savings benefit in terms of improved claim handling which will continue throughout the career life of those personnel.

6. It reduces the training burden of supervisory and management personnel which will allow them to devote more attention to the actual supervision of claims handling which should, in turn, contribute to a better result with attendant claim loss payment and claim handling expense savings.

He continues by stating what he thinks an effective program should include.

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No single training approach--self study, programmed instruction modules, correspondence courses, videotapes, OJT program, or formal classes--will adequately meet training needs. A successful training result requires a systematic utilization of a combination of these approaches with the selection of each approach dependent upon the characteristics of the trainees and their function, the development time required, the resources (both external and internal) available and the most cost effective method.

Two articles are related to specific areas of concern within the broad area of training. The first discusses the advantages and disadvantages of centralized and decentralized training. Richard Bowser, Director of Training at Equitable General Insurance Group, lists the following advantages and disadvantages of centralized training.

Advantages:

1. Relieves the line supervisor of time required for training.
2. Reduces training time by training individuals away from the distractions of the work environment.
3. Allows for professionalism in training.
4. Provides for better control of training.
5. Reduces duplication among departments.
6. Expenses are reduced by having a formal training department.

Disadvantages:

1. Line managers and supervisors lose control of the training.
2. Line supervisors have technical expertise that trainers often lack.

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In an article in \textit{Education Exchange} in June, 1980, Claude Riddle provides the industry with information on the "College Training of Insurance Adjusters." He writes about a two-year degree offered at Lane Community College for an Associate of Science degree in Insurance Adjusting. The Community College League of Innovation is trying to give scope to this type of program. This program is not a substitute for other methods of claim training, but is a tool which can be used.\footnote{Claude M. Riddle, "College Training of Insurance Adjusters," \textit{Education Exchange}, 166, June, 1980.}

Summary

Section I is an introduction section that provides background information. It states the problem, significance, and scope of the study. These are followed by basic assumptions, definitions and the design of the study. The section ends with a section on related literature.
AMERICAN STATES

The historical data provided by Best's Insurance Reports state that the American States Insurance Company was incorporated as the American Automobile Indemnity Company under the laws of Indiana on July 15, 1929, and was licensed and began business the same day. The present title of the company was adopted in 1930. Financial control of this company passed in December, 1962, from the principal stockholders, F. F. Gallahue and his brother, D. R. Gallahue, to the Lincoln National Life Insurance Company, Fort Wayne, Ind. The company, in June, 1968, transferred all of the common shares it held by means of a dividend, to the Lincoln National Corporation. By November, 1973, Lincoln National held complete stock ownership of The American States.¹

American States has received an A+ rating from Best's for its current financial position and its operating performance. The company maintains multiple line underwriting for the handling of personal lines, commercial and specialty risks with certain non-standard personal lines. Other coverage rates are based upon tariff filings for fire lines and general independent filings for other lines. Policy coverage is usually broader than provided in the standard form.²

The company is based in Indianapolis and is licensed to operate in the District of Columbia and in all states except New York and Connecticut. These areas are serviced by "130 branch offices staffed by approximately 470 claim managers and representatives."³


²Ibid., p. 197.

³Ibid., p. 197.
Mr. Gilbert Taylor, Director of Training at American States, and Ms. Shirley Halcomb, his secretary, are responsible for the administration of American States' claim training program. This program begins with a one-year period of intensive training, based on practical work application, related insurance self-studies, supervision, and weekly review sessions with a claims manager or a claims supervisor. American States' training is highly organized. It uses a decentralized method of training in the belief that the program outline will guide the supervisor and trainee through an on-the-job training program that provides the knowledge needed to allow for proper training on the job. Claim representatives are brought step-by-step from the point of no experience to the level of associate claim representative. This job level is basically the same as that of a claim representative that has completed basic training in other companies. Once the trainee has reached this point, he has started taking the IIA adjusters courses that are mandatory for claim representatives of American States. Claim representatives also are encouraged to take CPCU courses and to attend seminars.

First Year Claim Training Program

During the first year, the trainee will "develop an understanding of the role of insurance in society and the importance of the claims function."¹ He will be provided with technical skills and a working knowledge in the area of coverage, interpretation, investigation, evaluation, negotiation, human behavior, company philosophy, and legal and medical terminology. To develop these skills and understanding, the trainee will complete numerous courses while participating in extensive related work experiences.²

¹American States Claims Training Program Outline, p. 2.
²Ibid., p. 2.
The courses that the new trainee takes are produced in-house or, in some cases, come from Pictorial, but the new trainee is supervised and helped in his training by someone in his office. Scheduled during most weeks of the training period are a review of the week's objective, practical work applications and related insurance studies, a review with the supervisor, and a test. There also are periodic action tests where the trainee is required to observe a function of the job of a claim representative and then practice that function. The work is reviewed by Home Office claims personnel.

**Weeks 1 and 2**

The first two weeks a trainee spends on the job are used to teach the basic history of insurance, the role of insurance in society, insurance theory, insurance terminology, risk handling, contracts, types of insurance companies, and how a claim is handled.

The trainee learns how incoming mail is processed to reach the file units, studies Chapters One through Eight in *Am I Covered* by Gayle E. Richardson, and starts an in-house self-study *Principles of Insurance* course. This course covers insurance terminology and principles such as indemnity, the law of large numbers, risk, no-fault, premium determination, insurance contracts and coverage, insurance jobs, and company organization. This self-study course is similar to Pictorial courses and has a short objective test that is graded at the Home Office. If the course is failed, the trainee must retake the course.

**Weeks 3 and 4**

During these two weeks the trainee learns the fundamentals of the *Standard Fire Policy* by taking the Pictorial *Dwelling Fire* self-study course. The first policy is covered in detail. Some areas covered are
perils insured against, analysis of policy contractual promises, restricted perils, exclusions, cancellation, extended coverage, endorsements, and broad form perils.

The trainee also spends time applying information from this course to his job. He starts by reviewing small fire claims and handles some of these claims under careful supervision. The manager or an experienced claim representative takes the trainee to an actual fire loss site so he can observe the claim handling process.

Weeks 5, 6, and 7

During the fifth week, the trainee continues to handle small fire claims while learning about the Homeowners policies. He reviews Homeowner claims and also learns by taking the Pictorial Homeowners self-study course. Units covered are A Package of Protection, Extent and Scope of Coverage, The Skeleton Policy, The Homeowners Forms Compared, Additional Conditions and Supplementary Coverages, Property and Interests Covered, Deductibles, Property and Liability, and Pricing the Homeowners Policy. A test is given at the end of each Pictorial course and it is graded in the Home Office. Trainees who do not pass a course are required to repeat it.

The sixth and seventh weeks are spent in much the same way as the fifth except that automobile claims are emphasized. The trainee reviews automobile claims and handles small auto claims himself. He takes the Pictorial automobile course that covers the family automobile policy, special and basic automobile policies, and no-fault.

Weeks 8, 9, and 10

These three weeks are spent on legal concepts and on general liability. The trainee continues to handle automobile, fire, and Homeowners
files, paying special attention to legal concepts during week eight. He also completes the Pictorial self-study course titled Legal Principles. This course covers the legal system, division of law, responsibility for others, contract law, and claims and the courts.

The trainee then begins Pictorial's general liability course. While learning the different types of liability policies available, the trainee reviews general liability files and begins to work a few files under supervision. Some of the policies covered are the following: Owner's, Landlord's and Tenants' Liability Policy; Manufacturers' and Contractors' Liability Policy; Completed Operations and Product Liability Policy; Contractual Liability Policy; Comprehensive General Liability Policy; Comprehensive Personal Liability Policy; different Farmer's Liability Policies; Professional Liability Policy.

**Weeks 11 and 12**

The trainee learns to read and interpret medical reports during these two weeks. He takes Pictorial's course in Interpreting Medical Reports and, at the same time, handles small automobile claims involving minor injuries. Bone structure and the nervous system are the main areas of concentration of the Pictorial course and there is a special emphasis on the skull and on spinal injuries.

**Weeks 13, 14, and 15**

Workers' Compensation is the subject of these three weeks. Selected readings cover the employers' liability system, the standard Workers' Compensation policy, the Compensation Manual, classifications, rates, and premiums. The readings are from *Introduce Yourself to Workers' Compensation Insurance*. The history, theory, and growth of compensation acts and local compensation laws are studied in detail. A workers' compensation
workbook is completed. This workbook covers the handling of workers' compensation claims from notice of loss through investigation and settlement.

Throughout this three-week period, the trainee also is studying the field adjuster's workers' compensation manual and reviewing claim files. The trainee also processes small claims under close supervision. A workers' compensation test is given at the end of this three-week period. If the claim representative passes the test, he continues to the schedule for Week 16. Otherwise, he continues to study workers' compensation.

Weeks 16 through 19

During these four weeks, the trainee takes loss reports by telephone, classifies claims as to coverage and codes, completes preliminary bodily injury investigation reports on existing files, takes statements, receives files for investigation, reserves claims, and evaluates claims for settlement. He also reads Chapters One through Seven, Eleven and Twelve in Introduction to Liability Claims Adjusting by Corydon Johns. This text covers an introduction to adjusting, the relationship of coverage to adjusting, reserves, investigation, legal background, statements, evaluation, and closing files.

The trainee also spends time reading the Policies and Procedures Manual, The Office Claim Representative's Manual, and the Telephone Training Guide. A Pictorial course called The Recorded Interview is taken during the 15th week. There is a test at the end of each week over the material covered that week.

Week 20

Product liability claims are introduced during Week 20. The trainee reviews open and closed product liability cases and discusses them with his supervisor. He also is assigned a specific product to
research. The product is one involved in an active case. Outside the office he continues his training by attending a product liability trial. A series of articles about product liability is used as selected readings.

**Weeks 21 through 25**

During these five weeks, the trainee concentrates on automobile claims. He reviews the automobile policy, becomes familiar with the Office Claims Representative Manual and Auto Damage Appraising Course Manual. He also learns to use the Red Book or NADA Book. Other selected readings on adjusting automobile claims include the Owens-Corning Repair Manual for Fiberglass/Plastic Automobile Components and the National Auto Theft Bureau Training Bulletins.

The trainee also spends time in practical work application. During Week 21 he observes and assists a qualified office claim representative in handling small automobile claims. Gradually, he will handle his own claims, working up from small losses handled on the telephone to losses requiring him to make his own estimates. This work is done under close supervision.

The trainee spends time with experienced claim representatives looking at damaged cars and learning the estimating process. Usually, he will be required to send the Home Office an estimate that he has written. This gives the claims personnel in the Home Office a chance to see how effective the training is.

**Weeks 26 through 30**

These five weeks are spent learning about property insurance and how to handle claims arising out of a property loss. At the end of the five-week period, the trainee should be familiar with property insurance and with the principles of insurable interest. He should know the parts
of a property insurance policy and be able to analyze basic property coverages. He becomes familiar with construction terminology and is introduced to repair cost concepts. The trainee also studies burglary, robbery, and theft coverages. To do this, he works with experienced personnel, reads related material, and handles some claim files.

Week 31

Human anatomy and injuries to the human body are the subject of this week's study. The Medical Dictionary and the Medical Manual are studied and used during this period and the entire subject is related to the investigation of personal injury. An open-book test is given at the end of the week.

Weeks 32 through 52

The last 20 weeks of the trainee's year are spent handling more complex multiline claims. The trainee also completes the Pictorial course Writing Effective Business Letters and begins his IIA studies. The company stresses the importance of obtaining the IIA's Associate in Claims certificate during the first four years of employment. It is expected that the first part will be completed during the first year of employment.

Seminars, IIA, and CPCU

Employees who need knowledge about a specific area either attend a seminar on that subject or take a vendor's course. Some of the seminars are on unibody automobiles, hail damage, and fiberglass construction. Some claim representatives are sent to schools such as Vale National. Usually, one person goes to these courses or seminars and then comes back to the office to share the information with other claim representatives.
The company pays the registration and matriculation fees for IIA and CPCU courses. When the claim representative is taking CPCU courses, he must pay half of the expenses himself but he is reimbursed on successfully passing the course. The company pays all of the IIA expense when the employee enrolls for the course.

Claim Training Staff

The American States claim training staff consists of Mr. Gilbert Taylor and Ms. Shirley Halcomb, managers, supervisors, and experienced claim representatives. The training is decentralized and the primary responsibility for training new claim representatives rests with the supervisors. The supervisors receive a claim training manual that is produced in the Home Office and that is intended to guide and direct the training process.
KEMPER GROUP

The Kemper Group is a diverse organization of insurance and financial service companies. Kemper Group has two major components, Lumbermens Mutual Casualty Company and Kemper Corporation. The organization has been growing since 1912 when it began as Lumbermens Mutual Casualty Company, incorporated under the laws of the State of Illinois. The company was originally organized to write workers' compensation and public liability insurance for the lumber and woodworking industry in the Chicago area and now writes fire and extended coverage, package policies and virtually all casualty lines in all fifty states and in Canada.¹

Kemper Corporation is a nonoperating holding company whose subsidiaries operate in the fields of property/liability insurance, reinsurance, life insurance, rehabilitation, investment services, and safety and health consulting. Approximately 55 percent of Kemper Corporation's stock is owned by Lumbermens with the remainder held by approximately 8,000 stockholders.

Lumbermens Mutual Casualty Company pools its premiums, losses, expenses, and staff with two other Kemper companies: American Motorists Insurance Company, owned by the Kemper Corporation, and Manufacturers Mutual Insurance Company. The claims training methods of these three pool companies are the primary focus of this section. The Home Office

of these three companies is located in Long Grove, Illinois, and they share a centralized training unit that is located there. This study refers to this training unit as Kemper Group's claim training.

At the present time, Kemper's claim training unit is in a transition period. Currently the training staff is working closely with claim executives to update training and to make it as beneficial as possible. Because of this updating, some of the courses planned have not yet been taught. However, they are discussed in this section.

On his first day on the job, a new claim representative spends time with the personnel department and with his supervisor, learning about the company and about what will be expected of him. Part of this is accomplished by doing part of a formal On-The-Job training program (OJT). The OJT continues to guide the new claim representative through tape courses, programmed instruction, lessons, and outside observations in areas of automobile, fire, and workers' compensation, depending on the claim representative's needs for his job.

After completing certain sections of the different OJT's, the claim representative travels to the Home Office in Long Grove for classroom instruction. Courses and the timing of the courses depend on the claim representative's needs. A claim representative handling automobile claims will not take the property class which covers Homeowners policies.

Courses available at this time and those that are going to be implemented in the near future are Liability I and II; Material Damage; and Property I, II, and III. In all of these courses, Kemper is trying to increase the level of training by increasing student participation. This creates more student interest and, thus, better training.

Claim representatives are encouraged to continue education and
training through IIA and CPCU courses. Divisions encourage education by holding seminars in new problem areas. Alfred K. Kenyon, Vice President, Claims, places a high value on good and relevant training and these concepts are being implemented by the training staff.

On-The-Job Training

The OJT is designed to give guidance to supervisors for training new people and, at the same time, to still allow flexibility for employees' individual needs. Lessons can be omitted if experience warrants.

Use of the OJT usually begins on the first or second day with an audio/visual Introductory Tape Program (ITP). This six-section tape course covers the history of the Kemper Group, its organization, the job of a claim representative, the job of office services, legal principles, and insurance policies. The claim representative listens to cassette tapes as he goes through a workbook. At the end of each section there is a short quiz. The quiz is used by the claim representative's supervisor to identify problem areas so they may be explained. The program takes four to six hours to complete.

After the ITP, the claim representative continues through the OJT. The claim representative might be working through the Fire or Auto OJT or both, depending on what kind of claim he is assigned. He is guided through tape courses and has discussions with experienced claim people. Some of the tape courses used are Automobile Policy, Homeowners Policy, and Medical Terminology. He is given corresponding claims to review and discussions are held with the supervisor or other claim representatives on the subject. The amount of time the OJT takes and the amount of time the supervisor spends training the new claim representative is different, depending on the supervisor and the work load in the office. Even though
there are differences in training, the staff at Kemper Group feels that this method gives the claim representative hands-on experience that reinforces the training.

Another benefit of the OJT program is that it can allow experienced claim representatives to share knowledge with inexperienced personnel. Many offices take an afternoon or a morning to work on the OJT together. This promotes learning and togetherness in the office and builds a good working and learning relationship. The OJT lays a foundation for the Home Office courses by covering Kemper philosophy, how to read a policy, investigation techniques, statements, legal liability, negotiation, evaluation, and settlement. Then classroom lectures help cement this knowledge.

**Liability I**

Liability I is designed for claim representatives who have completed certain sections of the OJT, have at least six months experience on the job, and are handling personal lines liability claims. The course emphasizes automobile policies and the handling of claims against these policies. Subjects covered in this two-week course are legal principles, liability policy structure, personal lines auto coverage, investigation, medical evaluation, settlement evaluation, reserving, subrogation/arbitration, negotiations, litigation, and general liability principles.

As in other Home Office courses, the claim training staff has worked on increasing student participation by using more case problems, more role playing, and less lecture. The staff feels that this promotes more student interest and a better learning experience. Usually a lecture is given on a subject with the instructor encouraging questions and that is followed by a case problem or by role playing to practice the
skill or knowledge presented in the lecture.

Within the first week of classes, the students are given a claim file that contains a form reporting an accident and a company confirmation of coverage. Throughout the rest of the course the claim representatives follow and participate in the investigation, evaluation, settlement, subrogation, arbitration, and negotiation of the claim. At the end of the second week, a mock trial is held to show how the claim representative's work on the claim affects trial proceedings.

Students spend time evaluating information, setting reserves, taking recorded statements, trying to settle with claimant and lawyer, and filling out subrogation papers. Different case situations are given as homework and are reviewed in class.

A pretest is given at the beginning of the course which gives instructors information on where the students are before instruction, and at the end of each week tests are given covering the course. Grades on these tests are returned to the claim representative's supervisor. The purpose of the grades is to give the instructors, supervisors, and the claim department an idea of how successful the course and the individual claim representatives are. Supervisors can review problem areas with the claim representative. Instructors can improve their courses, and the claim department can use this as a method of evaluating training effectiveness.

**Liability II**

This course is designed to be taken after Liability I. It is for claim representatives who have started or will be handling personal lines liability claims. At this time, the course is structured into one week covering the Commercial Auto General Liability policy, legal principles,
strict liability, product liability, premises liability, evidence and contribution/indemnity, contractual liability, investigation/evaluation, theories of wrongful death and survival statutes, fright, mental anguish, consortium, excess coverage under the excess liability policy, the comprehensive catastrophe liability policy, the personal catastrophe policy, business owner's policy, structural settlements and rehabilitation, national account claims, and litigation as it deals with the complex pleadings and practices of multiple court and multiple defendant litigation, punitive damages, and third party practice.

As in Liability I, class participation is encouraged and the training staff uses case studies and role playing. In fact, the better part of Thursday afternoon is used for a case study workshop. The students are given an opportunity to utilize the concepts of coverage, liability and damage covered throughout the course by applying them to a typical liability claim and they are given the opportunity to discuss the case with a Home Office liability claim examiner.

Because of the length of this course, only one examination is given. The grades are sent to the claim representative's supervisor. As in the Liability I course, these grades are used to point out weak spots so they can be strengthened.

Property I

This course is designed to train claim representatives who handle Homeowners and other personal lines property coverages. Instruction and training covers the basics of the Homeowners policies, interpretations, property investigation, adjustment and settlement techniques. These areas include subrogation, arbitration, salvage, principles of estimating, building nomenclature, arson and fraud, and statements.
This course is for one week but there are plans to expand the time allowed, giving more time for workshops, case studies, and role playing. The testing, grading, and basic way the class is conducted is the same as with the liability courses.

Property II

This two-week in-house course is designed to provide claim personnel with a basic understanding of commercial lines property coverages and related claim handling procedures. Claim representatives who handle commercial property claims and have completed the Property I course will be trained and educated in the area of arson, the special multiperil policy, time element losses, highly protected risk/differences in condition policies, manufacturers output policies, commercial inland marine policies, duty to defend, subrogation/salvage, the Kemper package policy, and catastrophe claim handling.

The course has the same basic structure of instruction as the courses with an emphasis on the special multiperil policy and commercial inland marine policies. Comparison is made to other common commercial policies.

Property III

This two-week course is taken by claim representatives who handle property claims involving estimates. Claim representatives are required to take Property I or to demonstrate equivalent knowledge before enrolling in this course.

As of now, this course has not been taught at Kemper due to lack of proper training facilities. However, a new training area is in the final stages of construction. Kemper plans to begin teaching this
course sometime this year. It will be similar to a Vale National Building Damage Estimating course. Students will be instructed and trained in the following areas: math formulas for area, field notes and drawings, masonry, carpentry, roofing, plaster, drywall and other wall materials, staircases and steps, doors, exterior wall finishes, windows, kitchens, floor coverings, painting, wallpaper, glazing, plumbing, electrical, heating and air conditioning, and insulation. In the new training facility, a house that was built to show the different building materials will be used to demonstrate the different materials used for construction.

On completion of this course, the student will be able to explain different construction processes used in the building of residential homes. He also should be able to determine the scope of damage for given losses and write an accurate estimate for the repairs of that damage or evaluate estimates prepared by others.

Material Damage

This one-week in-house course is designed to train branch claim personnel in the basics of auto nomenclature and construction, systems of operation, repair procedures, and use of manuals and valuation guides. This course is designed to replace courses that were given by the division and to replace vendor appraiser courses. The first material damage class was scheduled to be held in February, 1983, in Kemper's new training area. This area will be equipped with different cars with different types of damage.

Students will be trained in nomenclature, use of manuals, refinishing, frames/unibody, vehicle construction, fuel and exhaust systems, sheet metal, vehicle identification, glass, brakes, power train, salvage
valuation and procedures, plastic repairs, steering, suspension, front-end alignment, upholstery tops, trim and moldings, Red and Blue Book usage, cooling and heating, arson and fraud, and electrical systems. The course has two examinations. One is on Wednesday and the other on Friday. These are designed to test the students' working knowledge.

Claim Training Staff

The claim training staff consists of experienced claim personnel who have training abilities. At this time, Kemper has eight people in this unit. The staff is encouraged to keep up-to-date on current claim problems and to keep the training as practical as is possible. Most staff members spend between two and five years on the staff and then return to line positions in claims.

The claim training staff works closely with the claim department. Claim executives review all course material and are used as reference people. Claim executives also spend time reviewing course evaluations and they make suggestions for changes or for new courses.

The training staff spends most of its time updating or creating new courses. It also spends time teaching courses, administering self-study courses, attending courses to improve training and going to branch or regional offices to present seminars.

All members of the training staff are required to take a Train-The-Trainer course. This leads them through planning a course and individual lectures. The course also helps prepare them to give lectures or presentations in front of a class. The training staff members prepare a lecture and present it. These are video taped. The tapes are viewed for self evaluation. The staff members then have an opportunity to present another lecture and to work on improving style. Most show vast
improvement and this gives them the extra confidence needed to actually teach a class.
MERIDIAN MUTUAL INSURANCE COMPANY

According to Best's Insurance Reports, Meridian Mutual Insurance Company, based in Indianapolis, Indiana,

was incorporated under the laws of Indiana on December 19, 1952, to act as a vehicle for the continuation of the Farmers Mutual Liability Company (organized in 1925) following the latter's absorption of the Farmers National Mutual Insurance Company (formed in 1938) and the Conservative Mutual Insurance Company (established in 1877), both of South Bend. Actually this company at the commencement of business on January 1, 1953, constituted an amalgamation of the three aforementioned companies with no lapse or other change in coverage or term of outstanding policies. The consolidation involved no change in the perpetuity of the management of the Farmers Mutual Liability Company.

Meridian Mutual Insurance Company presently is licensed in Indiana, Kentucky, Michigan, Ohio, and Tennessee. It writes fire and allied lines, automobile, general liability and property damage, workers' compensation, and other miscellaneous casualty and inland marine coverages. The company has experienced uninterrupted growth in premiums for the past five years and has an A+ rating in Best's. Company officials said that the basic Meridian objective is to offer broad, dependable, needed insurance protection and related services at the most reasonable cost consistent with sound insurance company management.

In order for Meridian to meet this objective, the employees need to be well trained to carry out their jobs. According to Rex Kilgore,

CPCU, Manager of Human Resource Development at Meridian, the company has an overall policy of providing educational assistance as long as an employee is interested and the education can be used to further Meridian's objectives. In other words, the education must be job related in some way. Meridian's philosophy is that, as a company, it is people-oriented and management stresses promotion from within the company. This makes the education and training of employees important. This emphasis on good training can be shown by tracing a new claim representative's progression through Meridian's claim training program.

The new claim representative with no prior experience has an intensive six-month training period in multiline adjusting. Although Meridian has both office and field claim representatives, there is no difference in the classroom training each receives. Meridian management believes that each needs to know as much as possible about adjusting to do competent work.

All claim representatives take an extensive, in-house policy and investigation course as soon as they can be enrolled in one. If there is a time lag between the time they are hired and the time the three-week course is offered, they begin a self-study Pictorial Principles of Insurance and Investigation course. After the three-week, in-house course, the claim representative goes back to his district and spends approximately two to three weeks observing and working with an experienced claim representative. He also begins to handle his own claims, allowing him to put the classroom knowledge to use. After six to eight weeks of this on-the-job training, the claim representative returns to the Home Office for a two-week concentrated automobile material damage course and then, once again, returns to his district to use the knowledge gained
for a period of from four to six weeks.

At this point, the new claim representative goes back to the Home Office for a week-long course in Building Damage Estimating. When that course is complete, the claim representative returns to his job. His training now becomes a combination of on-the-job training, review sessions, seminars, and professional courses such as CPCU and IIA.

Policy Coverage and Investigation Techniques Course

This three-week course is based on the lecture method with emphasis placed on participation. Trainees are asked to prepare and discuss different sections of the course. They are given a quiz each morning and a comprehensive final examination. The classes are small so that the four to eight trainees will receive personalized instruction. The first ten days of this course are spent covering the automobile, homeowners, workers' compensation, and farm owners policies, word by word. Since 90 percent of the claim representatives handle claims from all of these areas, it is important that each understands the policy wording. The trainees also spend a short period of time studying the commercial inland marine policies and umbrella liability policies.

The rest of the three-week period is spent on investigative techniques. This part of the course concentrates on handling claims, from initial receipt of the claim report through investigation, statement taking, reserving, evaluation, negotiation, and settlement. Some techniques used to teach are role playing, case studies, review of existing files, and lectures. After the trainee completes this course, he has time to put some of the new knowledge into practice when he spends six to eight weeks back in his office.

If the course is not completed successfully, extra help is provided
for the trainee in those sections that need improvement. At this time, no one has been discharged from Meridian for failure to complete a course. Students are given the opportunity to learn more about subjects with which they have problems.

Material Damage Automobile Course

The two-week, in-house material damage course is taught by experienced claims personnel who have extensive knowledge of the subject matter. The course is similar to Vale National courses. Students come to the Home Office to learn the parts of an automobile, how those parts are connected, whether or not they can be repaired, how to use the collision estimating manual, how to read an estimate, and the repair time needed for automobile damage. The last three days are spent practicing these skills by writing estimates on damaged automobiles.

Company teaching methods include diagrams, slides, and taking classes to garages and body shops to write estimates. Many times the estimates are compared with the final cost of repair so that the claim representatives can compare their estimates with the actual cost of repair. After completion of this course the trainees receive practical experience in their branch claims offices for four to six weeks.

Building Damage Estimating

At this week-long course trainees learn the nomenclature of a building, how the parts fit together, of what materials these parts are made, how to figure the amount of material needed, and how long construction will take.

The training is done in much the same format as that used in the Material Damage Automobile course. The main difference is that in the
automobile course, the parts of an automobile are learned before discussion of repair and estimating begins. In the building course, the parts and their repair characteristics are learned together. An adjuster learns about a building part and, at the same time, learns how to estimate the cost of repair for that part. Trainees are shown picture slides and diagrams so they become familiar with construction parts. Some examples of different types of construction are present in the Home Office and, when possible, trainees are taken to construction or loss sites to write estimates and to receive instruction.

At the end of the week, the trainees return to their branch offices. They receive the rest of their company-sponsored education and training through refresher courses, on-the-job training, seminars, and IIA or CPCU courses.

**On-The-Job Training**

Mr. Kilgore expressed a belief that claims adjusting must be learned by doing. Meridian management believes that, until a claim representative actually has faced a damaged car, an angry claimant, a worried insured, an injured person, or a lawyer, he cannot put all of the classroom knowledge together. Therefore, throughout his training program, the claim representative will spend time in his district observing other claim representatives and handling his own claims under careful supervision. The claims assigned the new representative are picked at a level that will challenge and stretch him but that will not overwhelm him. It is through this process that the new claim representative begins to feel more at ease with the information he has acquired.

After the first six months of intensive training, the new claim representative is observed and coached by the Branch Claims Manager.
so the claim representatives' work is not unnecessarily disrupted. Some of the seminars currently available are motorcycle damage, time management, decision making, and communication skills. An arson seminar is being planned. In these seminars, specialists are called on to provide information for the seminar leader and, in many seminars, specialists help lead the discussions. Slides, films and case files also are used in this type of learning process.

**CPCU and IIA Courses**

Employees at Meridian are encouraged to take CPCU and IIA courses. However, new claim representatives are asked to wait a year before starting such courses. It is necessary that the trainee has time to understand the knowledge he is receiving in on-the-job training and Home Office training courses. Meridian has an education assistance program that provides textbooks and pays examination fees for those who pass.

**Training Staff**

Meridian's training staff consists of three training specialists. Each has expert knowledge of an area that contributes to a team effort. The three specialty areas are claims, underwriting, and management information systems. The advantage of this arrangement is that it allows the different views and problems of the different functions to be brought out and understood by persons in different functions. For example, the policy coverage that is given to the underwriters and to the agents is the same coverage information that is given to a claim representative. The data processing information needed by a claims person usually is the same information needed by an underwriter or an agent.

The training specialists are chosen for their expert knowledge of
an area and, also, for their speaking and training ability. Much of their time is spent developing and improving courses and seminars. Other time is spent in the classroom, in the field with individual trainees, or delivering seminars.
STATE FARM INSURANCE

State Farm Mutual Automobile Insurance Company, based in Bloomington, Illinois, is a national company.

This company was incorporated on March 29, 1922, under the Uniform Mutual Law of Illinois and commenced business June 7, 1922, ... It has wholly-owned companion carriers also located in Bloomington. These carriers are State Farm Life Insurance Company (organized in 1929), State Farm Fire and Casualty Company (formed in 1935), State Farm Life and Accident Assurance Company (established in 1960), and State Farm General Insurance Company (organized in 1962).¹

This section deals primarily with State Farm Mutual Automobile Insurance Company and State Farm Fire and Casualty Company because these are the two companies that employ property/liability claim representatives. State Farm Mutual is the largest automobile insurance underwriter in the United States and State Farm Fire and Casualty is presently the leading writer of homeowners policies. The claim representatives of these two companies work independently of each other.

William D. Butler, Claim Consultant - Bodily Injury, and Donald F. Blink, Claim Superintendent in Muncie, Indiana, provided information on the training of automobile claim representatives.

State Farm Mutual uses both office and field claim representatives. An office representative handles claims that can be settled by phone. A field representative handles claims that require investigation outside of

the office. Examples of outside investigation are accident scene recon-
struction and neighborhood scans for witnesses. Many employees start as
an office claim representative and are promoted to the position of field
claim representative.

The first training experiences for each are the same. Most claim
representatives are hired with a four-year college degree and/or experi-
ence with another insurance company. For the first two or three weeks of
work they take a basic claim course on a self-study basis. When this is
completed, they begin to handle small claims and, as soon as possible,
are enrolled in a three-week Home Office claim school. Completion of
this Home Office course ends the classroom instruction of the office
claim representatives. They continue their education and training by
attending seminars, working with more experienced representatives, and
taking CPCU or IIA courses. If they move to a field claim position, how-
ever, they continue their training by attending the courses designed for
this type of representative.

Field claim representatives continue training by attending a three-
week automobile adjusting course at Vale National Training Center in
Chambersburg, Pennsylvania. State Farm tries to send its representatives
to this course in their first year of employment. After completing this
course they continue to develop and learn through job experience, semi-
nars, company tapes and CPCU or IIA courses.

Basic Claim Course

The introductory self-study course, produced in-house, is designed
to give a new claim representative a basic foundation of insurance and
claim knowledge. The claim representative will spend approximately four
hours a day, usually two hours in the morning and two hours in the
afternoon, for two to three weeks on this course. The course is designed around a four-part workbook which covers the following subjects: Introduction to Property/Casualty Insurance, Introduction to State Farm, Legal Concepts and Doctrines, and Introduction to State Farm Car Policy. In addition to the workbook, the claim representative listens to supplementary cassette tapes and looks at selected claim files. Of course, there are also daily discussions with his supervisor. At the end of each workbook section there is a test, and there is a final examination at the end of the course. The tests are administered by the supervisor and are used to find problem areas so the supervisor can help the trainee in those areas.

When the claim representative has completed the course he should have some knowledge of the history of the company, insurance terminology, policy provisions and interpretation, and how to use State Farm's Automobile Claim Manual. In other words, the claim representative should have the basic knowledge and vocabulary needed to begin working on claim files.

**Home Office Claim School**

This three-week course, taught by Home Office claim executives, uses a variety of teaching methods. The course is basically a lecture course with case studies, audio/visual tapes (produced in-house), and role playing. Actual cases are used to demonstrate different points. Audio/visual tapes are used to demonstrate events, such as taking a recorded statement, negotiation, and handling salvage. Some tapes of different lectures also are shown and pre-recorded statements are played with students asked to find statement-taking errors.

Information covered the previous day is tested on a quiz the
following morning and there is a final examination at the end of the three-week course. Grades on the quizzes and on the final examination are sent to the student's supervisor. If the trainee does not pass this course, he is terminated according to an agreement he signs when he is hired. Because of this, company officials must be very careful to develop course materials that are job related. If the claims trainee passes the course, his grades do not necessarily determine raises or promotions but, usually, job performance relates to the grade received.

The course includes the following topics: intensive legal material (tort, negligence, and liability), five to seven days on policy interpretation, practical claim handling (investigation techniques, statement taking, legal evidence, negotiation techniques, policy defenses, claim evaluation, and human relations), medical terminology, and the handling of property damage claims. When the course is completed, the claim representative returns to his office and applies the classroom knowledge acquired to handling claims. He gains knowledge on how to handle specific types of claims through experience and from others in the office.

Vale National Auto Damage Estimating Course

Vale's comprehensive three-week program is designed to give inexperienced personnel the skills necessary to write fair and accurate estimates on collision damaged vehicles. Emphasis is placed on learning by doing with the student actually writing over 20 estimates during the program. Damaged late model vehicles are used as mock-ups. This course includes estimating procedures for the new unibody cars now entering the market.¹

This is the last course required of a claim representative. At times,

when a representative needs specialized knowledge, other Vale courses are taken. Generally, however, after successfully finishing this course a claim representative will continue his education through company audio/visual tapes, seminars, the CPCU program, and the IIA courses leading to the Associate in Claims designation.

Seminars
On-going training is the responsibility of the local claims superintendent. Seminars are available on almost any claims subject to help the supervisor train his employees. These seminars provide information for updating knowledge and adding new information. Some of the available seminars are fraud awareness, unibody repair, communication skills, and how underwriting and claims departments work together. Some of these seminars are held in the Home Office but others are held in regional or branch offices.

Professional Designations
Self-improvement is encouraged at State Farm. In fact, the IIA Legal Principles course is required for advancement in the claims department. The company will pay for this course and for other IIA or CPCU courses. Claim representatives receive a cash bonus for the completion of each course.

STATE FARM FIRE AND CASUALTY
The training at State Farm Fire and Casualty is similar to that of the automobile company except that some different information is taught. In fact, Phil Yakal, Assistant Vice President - Claims Training, said that State Farm Fire and Casualty has modeled much of its training after
that of State Farm Mutual. Most of the differences are a result of the different types of claims that these representatives handle. These representatives handle all lines except automobile. Some do specialize, however, after being on the job a minimum of two years.

During the first two or three weeks of employment, the new claim representative takes a self-study preliminary course which familiarizes him with insurance and with the company. He begins to handle small claims under the supervision of more experienced personnel and, in three to six months, will go to the Home Office for the Basic Training course. This in-house course is two weeks long and covers the personal lines. After this is finished, the claim representative returns to his own office and uses the knowledge acquired in practical applications. In about three more months he goes back to the Home Office for Intermediate School. This in-house course is also two weeks long. It covers commercial lines rather than personal lines.

The claim representative also goes to Vale National for its Estimating and Building Damage course, either after the Intermediate Course or just before it. Right now the company is trying a pre-Vale self-study course that should save money by eliminating the first week of the Vale course. This pre-Vale course is titled Evaluating Structural Losses.

In addition to the courses mentioned above, State Farm Fire and Casualty encourages IIA and CPCU courses. Also available are seminars, updating sessions, and audio/visual programs.

**Preliminary Courses**

This self-study cassette tape and workbook course was produced in-house and is designed to give the new claim representative a background in insurance, some basic policy knowledge, and company history. The
course has 20 lessons covering these subjects with a test at the end of each section. If a section test is not passed the student simply repeats the section. The claim representative's supervisor gives the tests and has daily discussions with the trainee on the lessons he has completed or on which he is working. State Farm Fire and Casualty has found this in-house self-study to be more effective than courses produced by outside vendors because company philosophies are used in the course. Different voices on the tapes also promote better listening.

Basic Training Course

This course, created and taught by State Farm people, is two weeks long and is held in the Home Office. Classes are held almost all year round. Class size ranges from 36 to 60 students and about 750 people attend one or both of the Home Office courses each year.

To qualify for the Basic Course, a claim representative must have been employed for at least three months. The latest that a representative will attend is six months after employment. The main purpose of the course is to teach the new claim representative how to read, understand, use and explain a policy. Through lectures, work problems, case studies, films, and "buzz groups," the claim representatives learn about State Farm's personal lines policies and some of the handling of personal lines claims.

The course's first week concentrates on first party property damage and the second week concentrates on liability. Quizzes and examinations are given and, as in the State Farm Mutual course, a passing grade of 75 percent is required. If this grade is not achieved, the claim representative is discharged. State Farm has been very careful to relate the courses and tests to the job of a claim representative.
Test questions are actual claim situations that a claim representative might face in the field. A situation is given and the student is asked to respond with how a specific policy applies and to estimate the value of the claim. Outside experts have investigated the course and tests and found them to be job related.

Employees are required to sign a statement, at the time of employment, stating they understand that they will be terminated if they do not pass this course. A very low failure rate exists and, thus far, no damage suits have been filed as the result of this termination policy. The only time that a failing employee is not fired is when that employee was moved into the claims position from another job. In such cases, the employee simply returns to his old job. Grades from each section of this course are sent back to the regional offices with a list of areas in which further training is needed.

**Intermediate School**

This course also is created and taught by the Home Office staff. The format is the same as for the basic course except that commercial lines is the subject. Class size ranges from 36 to 60 students and they attend this course three months after taking the basic course. Only claim representatives who will be handling commercial lines take this course. There are no pre-employment agreements on this course. If a student fails this course, he returns to his job but does not handle commercial lines.

**Vale National Residential Building Damage Estimating Course**

This Vale course presents practical information on building construction as it pertains to damage appraising. With this knowledge as background, students are taught how to prepare accurate estimates on
their own. The course takes either two or three weeks, depending on the knowledge of entering students. State Farm is implementing a course in Evaluating Structural Loss to eliminate the first week at Vale.

**Evaluating Structural Losses**

This is the pre-Vale course that State Farm has just now begun to use. It is a self-study course designed around ten video tape lessons. A workbook, leader's guide, and testing program are included with the tapes. The course takes about 40 hours and is required before the claim representative goes to Vale.

**IIA and CPCU Courses**

State Farm strongly recommends IIA and CPCU courses. The company pays for each course and a bonus is given for each successfully passed. State Farm employees who receive the CPCU designation are sent, with spouse, to the national meeting of the Society of CPCU at the company's expense. Promotions and raises are influenced by successful completion of IIA and CPCU courses.

**Audio/Visual Programs**

State Farm Fire and Casualty Company emphasizes this learning medium in self-study programs, for general information, and for special seminars. Programs are also available to provide miscellaneous information that might be helpful to claims personnel. This emphasis on audio/visual began about four years ago and Mr. Yakal feels that State Farm Fire and Casualty will continue to use it in the future. It is a method that is both flexible and mobile. At present the 350 offices that have a claim supervisor all have the necessary tape equipment. Audio/visual programs probably will never replace the classroom at State Farm but they
are becoming one of the major learning tools of the company.

At present, some of the available programs are Evaluating Structural Losses, Photography of Fire and Casualty Claims, Hail Damage, Picking Up the Pieces -- Catastrophe, Medical Terminology, and Driving Efficiently. One or two-day seminars on areas such as arson and crime handling also use audio/visual aids. The company uses this method to keep employees updated in new areas without bringing them back to the Home Office. Regional management decides what tapes and when the tapes will be shown in each region. Regional management makes semi-annual reports on what tapes have been shown and includes suggestions for new tapes. New tapes being prepared are Mobile Homes, Boat and Motor Repairs, Casualty Claim Handling, and Cause and Origin File on Arson. All of these tapes are made in-house and are used only by State Farm.

Training Staff

State Farm Fire and Casualty has a staff of people whose primary function is training. These are experienced claims people who have been in the business for many years. Some of the years of experience cited were 20, 34, and 36 years.

The staff is concerned about whether or not the training provided is what the claim representative needs. After each class the students are asked to evaluate the instructor, the sessions, and the tests. These evaluations provide input into course changes. Evaluations also are requested six months after a course. This allows the claim representative to discover how effectively he can apply course material to on-the-job situations.

The training staff also receives input from regional office claims management. Each year, regional management reviews courses, evaluations,
and tests. These people report on the effectiveness of claim training and it is from this group that most suggestions for change come.
FARM BUREAU INSURANCE

Farm Bureau Insurance

was incorporated October 17, 1934, under the laws of the State of Indiana. It was licensed February 26, 1935, and commenced business on the same day under the title "Farm Bureau Mutual Insurance Company of Indiana, Inc." The word "Inc." was deleted from the name on May 1, 1948, when the Farm Bureau Fire & Tornado Insurance Company was merged into the company. The present title was adopted January 1, 1966.

The official name of the company is United Farm Bureau Mutual Insurance Company, but it is known to the general public as Farm Bureau Insurance.

Under the sponsorship of the Indiana Farm Bureau, this company has an A+ rating in Best's on an analysis of current financial and operating performance.

The present level of assumed underwriting commitments is sound in relation to net resources available to meet contingencies in the light of standards normally prevailing in the insurance industry. Underwriting operations developed rewarding results in each of the last five years as evidenced by the average indicated profit margin for the period, equal to 2.2% of premiums.

This company is licensed in Indiana only.

Farm Bureau has about 152 claim representatives in Indiana. These representatives are recruited, hired and trained mainly by the branch and regional offices. Most claim representatives have a college degree when they are hired and Farm Bureau tries to hire people with prior claim experience.

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2Ibid.
During his first 90 days of employment, the new claim representative spends time getting familiar with his office, reading Farm Bureau's claim manual, and working with an experienced claim representative. He will spend time doing various types of work on claim files, preparing to handle his own claims. After this 90-day period, but before he completes six months employment, the claim representative attends Basic Training School at the Home Office. This in-house course is three weeks in length but is taught in sections of two weeks and one week. The time between the sections is used to send the claim representative back into the field to use some of the training he has received. After this course is successfully completed, most of the claim representative's formal training is ended. The claim representative usually receives on-the-job training from his manager and, about every three years, he attends a refresher course. Company seminars and IIA and CPCU courses also are available for further training and education.

**Ninety-Day Period**

Farm Bureau claim trainees spend the first 90 days on the job. On the first day they are shown around the office and they learn how the claims are processed through the office. After they have become familiar with how the office works, they spend most of their time working with an experienced claim representative and reading Farm Bureau's claim manual.

The new claim representative spend an hour or two every day reading the claim manual so he understands much of it by the time he attends the Home Office Basic Training School. The manual includes information on company history, principles and guidelines of the company, organization of the company, department functions, company cars, and how to work with agents.
When the new claim representative is not studying the claim manual he is learning how to handle claims from an experienced claim representative and/or his supervisor. Farm Bureau bases its training one-on-one, out in the field. Each new claim representative is trained a little differently because the training is done by different people. However, most of the training is done in basically the same way. The new claim representative first just spends time with an experienced claim representative observing how claims are handled, and is instructed in various subjects that relate to settling claims.

The new claim representative then starts doing some of the work involved in claim handling. By the time he attends Basic Training School he should be able to confirm coverage, take statements and do some kinds of investigations. All of the claim representatives start handling small claims on their own during this 90-day period.

Basic Training School

Claim representatives attend the Basic Training School in Indianapolis sometime after 90 days of employment but before completing six months on the job. The course is given about three times each year. Class size ranges from six or eight persons to as many as sixteen people.

Farm Bureau has a training facility that includes classrooms, a body shop, and an area that contains mock-ups of buildings. The training in the Home Office is primarily by lecture with the mock-ups used to add depth and meaning to what is being taught. Film strips and slides also are used as teaching mediums.

The first week of the course covers policy contracts, material damage, sequence of inspection of damage, overlap and included operations, suspension and steering, the property claims manual, building nomenclature,
building estimating, definitions of perils, frame and body shell alignment, and use of plastics. Two films and one slide show are presented during this week and about six hours are spent practicing skills in Farm Bureau's workshop area.

The second week is spent covering the automobile policy, company car maintenance and care, frame repairs, total loss settlements, problem claims, and arson. The films, *Repairs to Quarter Panels* and *Fire Bug*, are shown and about seven hours are spent working on estimating in the workshop. Students also take tests over building nomenclature, total loss settlement, the automobile policy, and policy contracts. Grades on these tests are used to find the weak areas and to make sure students have learned what they need. Employees are not discharged because of test grades.

The third week of the course is spent covering legal principles, company history, structure and policies, shop equipment, fiber glass repairs, and superior parts. Most of Friday is spent taking the National Safety Council course. Students spend about 14 hours of this week in the shop. They also are tested over general information, the material damage manual (open book), and legal principles. Test grades are used in the way discussed above.

**Refresher School**

Claim representatives take a refresher course about every three years. This week-long, in-house course reviews the property claims manual, repairs to automotive plastic, the automobile policy, fire losses, estimating, material damage, and use of the "Red Book." The films, *Repair to Automobile Plastic*, *Repair to Front-Wheel Drive*, and *Repairs to Aluminum* are shown. Claim representatives also spent about
eight hours in the shop learning and practicing estimating skills. Two
tests are given and grades are used to find points at which the training
program can be improved.

Seminars

One and two-day seminars are held to keep claim representatives
up-to-date on new policies, new laws, and new construction methods.
These seminars might be held in the Home Office, or in regional or
branch offices. In some cases, claim representatives attend seminars
produced outside the company. An example of this is the group of uni-
body seminars being held for insurance companies and body shops at
places like Ivy Tech.

IIA and CPCU Courses

Farm Bureau has an educational assistance program for its em-
ployees. The program pays for approved college courses and for IIA or
CPCU courses. Farm Bureau pays one-half the cost at first and pays the
other half of the cost on successful completion. There are no financial
rewards for IIA or CPCU courses passed but these are factors considered
on annual evaluations.

Training Staff

The Farm Bureau training staff consists of people from the claims
and legal departments. They are all part-time teachers. Most of the
training is done by unit managers, however, and by experienced claim
representatives. The unit manager holds primary responsibility for
training and he usually spends 50 percent of his time with his people.
SUMMARY AND CONCLUSIONS

The work of a claim representative can be extremely demanding, requiring an immense amount of knowledge about law, medicine, construction of buildings, automobile repair, and also requiring large amounts of common sense and people-handling skills.

The claim representative is simultaneously a chiseler to the claimant, a snail to the agent, and a spend-thrift to the home office. To please all of these, he must be ambidextrous as an octopus. He must be aggressive but cautious; hard-boiled but diplomatic, frank but subtle. His only qualifications consist of being a lawyer, a doctor, an accountant, an auto mechanic, and a clairvoyant with a dash of bloodhound.1

In order for most people to know, understand, and properly perform the duties of a claim representative, they must be trained. This training seems vital to a successful claim operation. The five insurance companies studied in this paper appear to see the training of claim representatives as essential. They train their claim representatives on the same material and information but they use different methods to accomplish that training. The different methods used by these five insurance companies are audio/visual self-study programs, on-the-job training, in-house courses, vendor courses, seminars, and IIA and CPCU courses. Many times the differences in training methods used are a result of the difference in the size of the company, the availability of training facilities, and the size of the training staff.

All five companies have some training on-the-job with managers or supervisors responsible for that part of the training. The difference is the degree to which a Home Office training staff participates in the claim representatives' training. The differences range from American States, where all the training is done on-the-job and administered through two Home Office staff people, to the Kemper Group which depends heavily on eight staff claim training specialists.

Both of these companies do almost all of their training in-house. Meridian and Farm Bureau also do their training in-house primarily. State Farm, on the other hand, depends on Vale National to train its claim representatives to estimate automobile and building damage.

Some companies rely on outside vendors to produce self-study courses. Other companies produce their own and still others use a combination of both types. Kemper Group employs a staff of claim training personnel and part of their responsibility is to produce and administer self-study courses. Meridian employs claim training specialists whose time is spent primarily working on classroom courses. Therefore, Meridian's self-study courses are purchased from Pictorial. American States uses a combination of in-house self-study courses and Pictorial courses. Whether the self-study courses are produced in-house or purchased from a vendor seems a function of the size of the training staff available to develop such courses.

The primary advantage of producing in-house self-study courses is that they can include company policies and philosophies. However, the extra expense of having a larger training staff added to the costs of production might be more than the costs of buying vendor courses. The same questions of in-house or vendor courses applies to classroom study.
One other consideration when deciding on an in-house course relates to training facilities. Does the insurance company have adequate training facilities and what would the cost of building them be if they are not already available?

Timing of the training also varies. Some companies such as Farm Bureau, Kemper Group, and State Farm have new claim representatives start their training at their offices doing self-study courses. Most of these courses cover the history and organization of the company, history of insurance, insurance terminology, and the job of a claim representative. Usually, a claim representative from one of these companies will start handling small claims before attending a company or vendor course.

On the other hand, some companies will try to get their new claim representatives into a Home Office course as soon as they are hired. This is how Meridian operates. If there is a time lag between being hired and the first course, most of these companies have self-study courses to fill the gap.

These two philosophies on when to start claim representatives in classroom courses follow two differing trains of thought. The first gets the claim representative familiar with insurance through an inexpensive medium (self-study) before bringing him in for an instructor-led course. This allows the instructor to cover more information in depth without wasting a lot of time on basics. Also, claim representatives can identify with information better because they can see how it can be used.

The companies that try to have new claim representatives in a Home Office course immediately believe that the foundations or basics are very important. Therefore, they want to make sure a solid foundation of knowledge is established. By having the claim representatives in the
classroom immediately, they provide an opportunity for them to acquire important basic information. They believe this also helps to standardize the training. With a good foundation the claim representatives can return to their offices and build on that foundation.

Insurance companies that do produce their own in-house classroom courses all use some form of lecture and classroom participation in these courses. Some companies use lecture primarily while others emphasize case studies and role playing. In classes designed for learning on how to write estimates, most insurance companies provide damaged cars for estimating practice.

Quizzes and tests are used to grade claim representatives, both in self-study courses and in classroom courses. Some companies use objective tests, some use essay tests, and others use a combination. Some of the companies, such as Kemper Group and State Farm, try to give actual claim situations that a claim representative might face in the field. The student is asked to respond with how a specific policy applies to the claim.

The most interesting testing idea discovered during this research was the fact that State Farm will discharge a new claim representative if he does not pass specified courses. The State Farm claims representative signs a pre-employment agreement to that effect. Training personnel at some of the other companies said they have thought about adopting a similar practice but they are concerned about the possibility of law suits being brought by terminated employees. Phil Yakal, Assistant Vice President - Claims Training at State Farm, said State Farm has been very careful in carrying out this policy. The courses are approved by outside people as being job related. That fact, plus the fact the claim
representatives do sign an agreement, protects the company. Thus far no damage suits have been filed on this account.

Other company personnel mentioned the fact that a pass-or-be-terminated situation puts too much pressure on a claim representative. There is also the fact that some people just do not test well. At State Farm, however, the claim representative either passes or is discharged. The pressure is there but very few have failed a State Farm course that is required for job continuation.

American States does not deal with whether or not to discharge a claim representative who fails a classroom course because American States does not have classroom courses. All of its claim training is done on-the-job. This seems to be a unique system. The training staff and claim executives set up a training program that leads the claim representative through a year of multiline training. The responsibility for effective training falls on managers and supervisors.

All of the insurance companies discussed in this study have seminars and encourage claim representatives to take IIA and CPCU courses in order to keep up to date on new policies and new practices.

In short, therefore, the companies provide training in the same areas but might use different training methods to achieve the same results. The size of the company, the size of the training staff, the facilities available, and the management philosophies influence which methods are used.

Suggestions for Further Study

The following areas and/or topics are suggested for further study in their field.

1. A cost-benefit analysis of claim training would be useful and
appropriate. At some point, dollars spent on claim training reach their maximum effectiveness and training beyond that point has diminishing returns. Determination of the point of maximum cost effectiveness would be of major significance to most insurance companies.

2. State Farm's practice of discharging claim trainees who do not pass specified courses has serious legal implications. Are the course examinations unfairly discriminatory, on the basis of either sex or race? A study of the legal implications of this claims management philosophy would provide significant insight into fair and unfair employment practices.

3. Training also is necessary in the other functional areas of an insurance operation. Study on the training methods used in underwriting, sales, and management could be compared with claims training methods studied here.
BIBLIOGRAPHY


Claims Training Program Outline. American States.


THE TRAINING OF CLAIM REPRESENTATIVES IN SELECTED PROPERTY/LIABILITY INSURANCE COMPANIES

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Good training in any area is important. The purpose of this study was to describe and compare the methods by which selected companies, members of the American insurance industry, train property/liability claim representatives and to discuss the advantages and disadvantages of each.

American States', Kemper Group's, Meridian Mutual's, State Farm's and Farm Bureau Insurance of Indiana's claim training methods were researched to determine how insurance companies train their claim representatives.

Conclusion

Based on the study the following conclusion seems warranted:

Insurance companies provide claim training in the same areas but might use different training methods to achieve the same results. The size of the company, the size of the training staff, the facilities available, and the management philosophies influence which methods are used.